



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 98 (as introduced 2-2-17)
Sponsor: Senator Jim Ananich
Committee: Government Operations

Date Completed: 5-3-17

CONTENT

The bill would amend the Michigan Promise Zone Authority Act to permit the Department of Treasury to certify up to 11, rather than 10, governing bodies of eligible entities to establish a promise zone; and require the additional eligible entity to be a city with a population of more than 80,000 and less than 120,000 in which a declaration of emergency was issued for drinking water contamination.

The Act allows the governing body of an eligible entity, with approval from the Department of Treasury, to establish a promise zone and provide a promise of financial assistance for postsecondary education to students who graduate from a public or nonpublic high school within the zone. An eligible entity is a city, township, county, local school district, or intermediate school district in which the percentage of families with minor children who are living at or below the Federal poverty level is greater than or equal to the State average.

If the governing body of an eligible entity submits an application to the Department according to procedures in the Act, and the Department determines that the governing body is eligible to establish a promise zone, the Department must certify the eligibility. The governing body then must establish the zone and is eligible to receive captured revenue from the State Education Tax. (A local unit that is not an eligible entity also may create a promise zone but may not receive that revenue.)

The Act authorizes the Department to certify not more than 10 governing bodies of eligible entities as eligible to establish a promise zone. The bill would increase that number to 11.

For the additional promise zone, the bill would require the Department to review, on a first-come, first-served basis, only those applications submitted by the governing bodies of eligible entities that are cities meeting both of the following:

- The city would have to have a population of more than 80,000 and less than 120,000 according to the most recent decennial census.
- The city would have to be one in which a declaration of emergency was issued for drinking water contamination within the immediately preceding three years.

MCL 390.1664

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have an indeterminate impact on the State School Aid Fund and the City of Flint. By allowing the City to be certified as eligible to establish a promise zone, the bill could

reduce the amount of potential revenue available to the School Aid Fund from the State Education Tax based on the property value increase in the City of Flint. The initial loss would be relatively small if a zone were established, because the loss of revenue would be equal to one-half of the revenue from increased property value in the City. The potential allocation of revenue to the promise zone and loss of revenue to the State would depend on the level of growth and increase in property value over time.

The bill also would increase local revenue in the City of Flint in the form of potential private contributions to the promise zone, minus the amount of tuition payments made to eligible students. The City also would have reporting and administrative costs associated with the promise zone that would be covered by up to 15% of the revenue capture from the State Education Tax; any costs beyond that amount would need to be covered by other sources.

Fiscal Analyst: Cory Savino

SAS\S1718\s98sa

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.